





FRASER COMPANIES, LIMITED ANNUAL REPORT 1969

Financial Highlights


FOR THE YEAR ENDED:

	January 3 1970	December 28 1968	December 31 1967
Net sales	\$91,327,000	\$76,568,000	\$70,681,000
Net results:			
Net income from operations	\$ 4,403,000	\$ 1,161,000	\$ 127,000
Extraordinary items	1,933,000	—	579,000
Total	\$ 6,336,000	\$ 1,161,000	\$ 706,000
Net results per common share:*			
From operations	\$1.90	\$.50	\$.06
Extraordinary items	.83	—	.26
Total	\$2.73	\$.50	\$.32
Dividends paid	\$.65	\$.10	\$.60
Cash flow from operations	\$12,070,000	\$ 7,315,000	\$ 5,588,000
Cash flow per common share*	\$5.20	\$3.18	\$2.51
Additions to plant and properties	\$10,571,000	\$ 2,573,000	\$ 4,128,000
Tons sold — paper, paperboard and pulp	480,790	416,822	356,381
AT YEAR END:			
Working capital	\$23,186,000	\$19,876,000	\$15,711,000
Shareholders' equity	\$66,032,000	\$60,749,000	\$58,864,000
Shareholders' equity per common share*	\$28.45	\$26.41	\$26.44

*Based on shares outstanding at year end of 2,320,952 in 1969, 2,300,202 in 1968 and 2,226,102 in 1967.

COVER: At Fraser we look at things differently! Quality, service and progress are still important to us.

A stand of spruce trees on our Green River limits photographed with infra red film.



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A different view of the Edmundston pulp mill.

Directors and Officers

BOARD OF DIRECTORS

E. R. ALEXANDER
F. PHILIPPE BRAIS
RALPH B. BRENNAN
KENNETH V. COX
H. ROY CRABTREE
JOHN E. L. DUQUET
A. A. FRANCK
D. J. HENNIGAR
JOHN H. HEUER
DONALD E. KERLIN
J. A. MULCAHY
A. L. PENHALE
FRANK H. SOBEY
EDWARD C. WOOD

HONORARY DIRECTORS

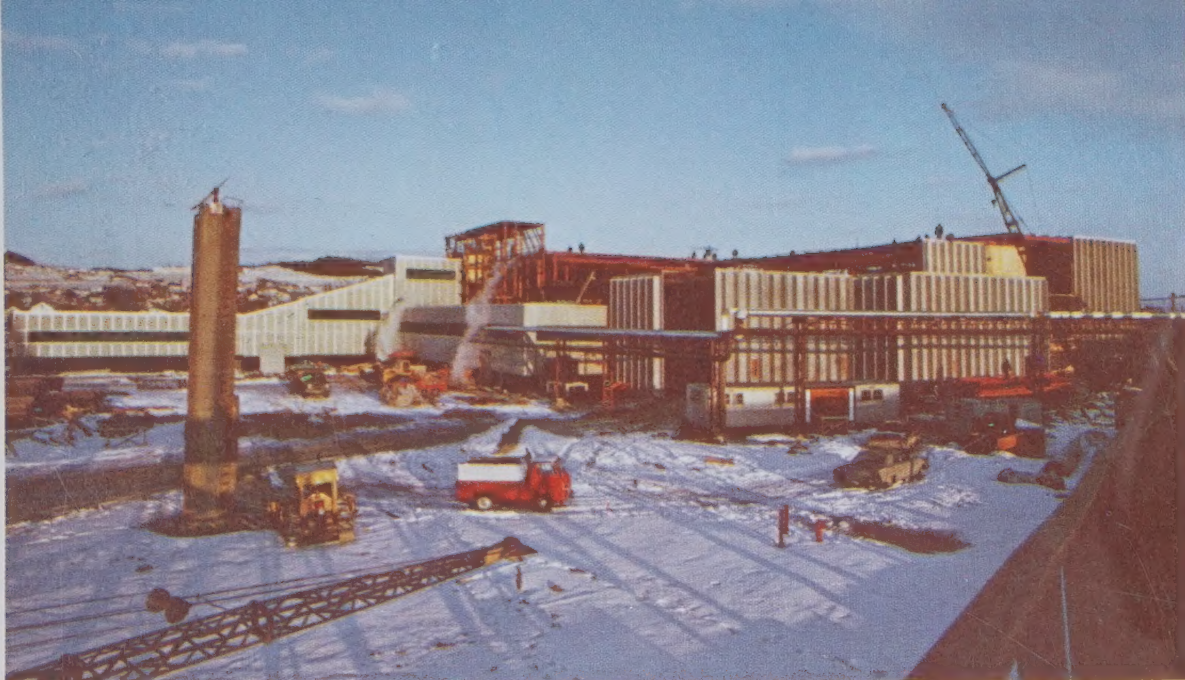
AUBREY CRABTREE
L. M. SHERWOOD

EXECUTIVE COMMITTEE

H. ROY CRABTREE, *Chairman*
RALPH B. BRENNAN
A. A. FRANCK
JOHN H. HEUER
A. L. PENHALE
FRANK H. SOBEY
EDWARD C. WOOD

OFFICERS

H. ROY CRABTREE
Chairman of the Board
JOHN H. HEUER
President and Chief Executive Officer
D. E. YORK
Vice-President — Finance
C. R. RECOR
Vice-President — Operations
RALPH B. BRENNAN
Vice-President
M. J. ROACH
Vice-President — Manufacturing
J. K. BARRY
Vice-President — Sales
L. W. MILLER
Vice-President — Sales, Fraser Paper, Limited
E. S. McLEAN
Treasurer
B. W. HICKS
Secretary
M. B. ROBINSON
Controller
H. P. HIERLIHY
Assistant Treasurer
H. M. LOGAN
Assistant Controller



The new Groundwood pulp mill and wood room at Edmundston nears completion.



The new chip air conveying system at the Atholville mill.

Directors' Report to the Shareholders

The Consolidated Balance Sheets of Fraser Companies, Limited and its wholly-owned subsidiaries, the Consolidated Statements of Income, Retained Earnings and Source and Application of Funds for the fiscal year ended January 3, 1970 are submitted herewith.

■ INCOME

Net income from operations was \$4,403,000 or \$1.90 per share on 2,320,952 shares as compared to \$1,161,000 or 50¢ per share on 2,300,202 shares in 1968. The non-recurring profit of \$1,933,000, or 83¢ per share resulting from the sale of the investment in Rothesay Paper Corporation brings the total income for fiscal 1969 to \$6,336,000 or \$2.73 per share.

■ SALES

Net sales for fiscal 1969 were a record \$91,327,000 and represented an increase of 19% over last year's previous record of \$76,568,000. Selling prices improved on pulp and paper products and are holding firm. Lumber prices were affected by reduced housing starts.

■ SHIPMENTS

Total pulp, paper and paperboard shipments were 480,790 tons or an increase of 15% over 1968. Shipments of lumber increased 60% over 1968 to 33,033 M f.b.m.

■ CASH FLOW

Cash flow from operations was \$12,070,000 or \$5.20 per share.

■ DIVIDENDS

During 1969 dividends were paid as follows: 10¢ on April 14; 15¢ on July 4; 15¢ on October 6; and 25¢ on December 29, or a total of 65¢. On February 18, 1970, a dividend of 25¢ per share was declared, payable March 16, 1970 to shareholders of record February 26, 1970.

■ BONDED DEBT

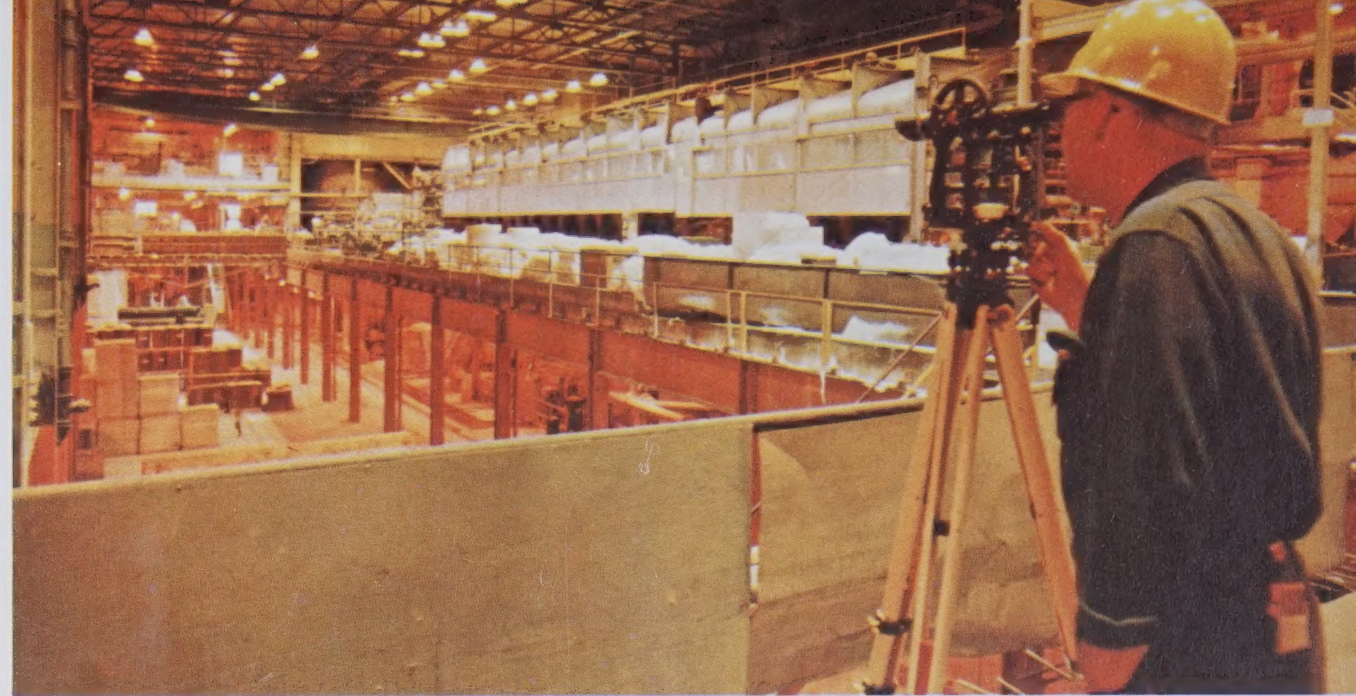
The bonded debt was reduced during the year by \$810,000.

■ ADDITIONS TO PLANT AND PROPERTIES

In 1969 we spent \$10,571,000 on improvements, up substantially from the \$2,573,000 spent in 1968. The new wood yard and wood handling facilities at Edmundston were completed. A dry kiln and planer mill were built at the Plaster Rock sawmill and a new chip plant and loading system were constructed at the Kedgwick sawmill. Chip unloading facilities and conversion to oil at the Atholville mill were completed. Work was also started on our new wood room and groundwood mill at Edmundston, expected to be in operation during the Summer of 1970, and on the new paper machine for the Madawaska mill now scheduled for production early in 1971.



Rebuilding the Kedgwick sawmill.



There's a new fourdrinier in our future. This is the location for No. 8 Paper Machine.

Planning is in an advanced stage on the second step in our expansion and modernization program which involves a major change in our chemical pulp facilities at Edmundston. This part of the program will provide a higher quality pulp, expanded capacity, utilization of hardwood species and will include equipment for pollution abatement.

These necessary and highly desirable programs, to which the Company is committed, are presently estimated to cost in excess of \$50,000,000 and will require expenditures in each of the next few years of considerably more than that spent in 1969. It is anticipated that the Company will complete these programs without outside financing.

■ W. H. MILLER COMPANY, LIMITED (Kedgwick Mill)

On November 20 the sawmill burned. We were fortunate, however, that no one was injured and the dressing mill and lumber and log inventories were left intact. Construction of the mill was started the next day and the chipping operation was back on line a week later. The rebuilt sawmill will be of modern design and will be of greater capacity than the original mill. Production of lumber will resume in early March 1970.

■ ROTHESAY PAPER CORPORATION

During 1969, the Company sold all of its investment in Rothesay Paper Corporation. The profit on this sale amounted to \$1,933,000 and because of its non-recurring nature, has been shown as an extraordinary item in the Consolidated Statements of Income.

■ NEWCASTLE PULP MILL

On January 22, 1970 the Company sold all of the fixed assets of the Newcastle Mill and its related Woods Division, as well as its investment in Boiestown Lumber Limited. The total selling price, subject to final determination of inventory values, will be approximately \$41,350,000. Of this amount \$36,685,000 was for fixed assets which had a net book value of \$31,797,000. This transaction has not been reflected in the Financial Statements as of January 3, 1970. Disposal of this property is part of the continuing program of the Company to better utilize its assets so as to provide a better return on the investment of our shareholders. The funds received will be used in our current major expansion program at the Edmundston and Madawaska mills.

■ QUEBEC TIMBERLANDS

We are continuing negotiations with the Quebec Government in connection with their program of acquiring our timber limits, freehold lands and improvements in that Province.

■ ENVIRONMENTAL PROGRAMS

As a member of the paper industry, Fraser Companies, Limited is intensely concerned with the problems of pollution abatement and control. Fresh water supply and usage, recycle of water, raw material losses and effluent disposal are closely interrelated and the



Sales Offices of Fraser Paper, Limited are located in this new building at Greenwich, Conn.



The new paper warehouse at Madawaska.

determination of a satisfactory solution of a plant's individual problems requires considerable investigation, involving our research personnel and the services of specialists from recognized consulting organizations.

Pollution control equipment will be installed and programs initiated during our major expansion, both at Edmundston and Madawaska, whereby we will be able to reach the goals Fraser has been working towards for several years. Realizing that the environment in which we live is important to everyone, the industry must find ways of being compatible with the rest of the area in which it operates.

Investigation and study has concluded that the program for control of the spruce budworm has been most effective. The Company will participate in this program in 1970 providing Government support is continued.

■ OUTLOOK

The Company is looking forward to the new decade as a period of continuing progress. There will be a temporary reduction in net sales because of the disposal of the Newcastle mill. Sales by the Company will reach new levels upon completion of the current capital program. In common with other industries, we will continue to be faced with increased costs for transportation, labor and materials. The economies and more efficient equipment being introduced in our mills and woodlands become very important factors in our profitability. We expect 1970 results to continue in an upward trend.

■ GENERAL

A White Paper on proposals for tax reform was tabled by the Minister of Finance in November 1969. Comments have been requested, and your Company will make its views known soon. Your Directors urge that Shareholders also make their personal views known to their Members of Parliament.

During the year, the Directors regretfully accepted the resignations from the Board of Messrs. Roy A. Jodrey and F. Ryland Daniels. Mr. Jodrey was an esteemed Member of the Board and of the Executive Committee for thirteen years. Mr. Daniels served as a Director for six years. The sound judgement and broad experience of these gentlemen were of great value to the Company and they will be missed. In September, Mr. David J. Hennigar of Halifax, Nova Scotia, was elected to the Board. It is proposed to reduce the number of Directors from 15 to 14.

On October 1, 1969, Mr. Martin J. Roach joined the Company as Vice-President — Manufacturing.

We are ever mindful of the continuing loyalty and support of our customers, employees and suppliers and to them we express our grateful appreciation.

Submitted on behalf of the Board of Directors.

H. Roy Crabtree,
Chairman

J. H. Heuer,
President and Chief Executive Officer

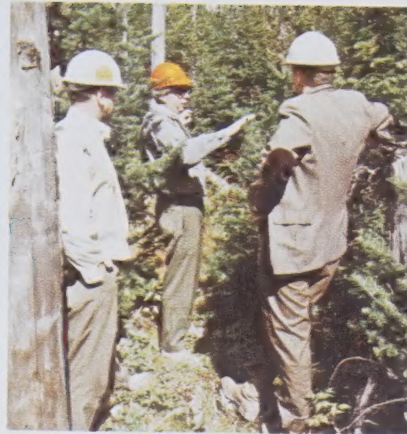
Edmundston, N.B.
March 6, 1970



FRASER
BUILDS
FOR
THE
FUTURE...



and it begins
here



WOODLANDS

During 1969, considerable progress was made towards achieving several principal objectives that were established in mid 1968.

WOOD INVENTORY REDUCTION — With the advent of year-round wood handling facilities at our mills, the wood inventory reduction program will attain its planned, lowest possible level in May of 1970. At this time, wood production and deliveries will be in balance with mill requirements.

In connection with this inventory reduction program, marked progress was made in improving our wood handling procedures by using new modern equipment and techniques — particularly tree length logging — to deliver our wood requirements to the mills by truck and rail on a year-round basis. These procedures will result in significant continued savings.

Our program for upgrading the system of main artery woods roads is well established. This program is essential to obtain the lowest possible wood transportation costs. It is a policy of the Company to allow the public



to use these excellent woods roads for travel to recreational areas.

WOODS OPERATIONS COST ANALYSIS — Cost analysis and reporting is now firmly established with detailed reports issued on a bimonthly basis. With this information, budgeting and comparison to plan is made available and emphasized to all levels of supervision. This system has been most effective with resultant cost reductions, and will be a good basis for effecting additional savings in the future.

WOODS LABOR — Our woodland labor personnel is now stabilized at approximately 1,400 employees, compared to peaks in excess of 3,000 employees in previous years.



During 1969, we encouraged the ownership by employees of equipment by the sale of Company equipment. This policy has proven most satisfactory and will be continued in the future.

MANAGEMENT AND OPERATING PLANS — Our new ten-year woodland management and operating plans were completed in January 1970. These new plans are the result of considerable study and investigation with the main objective of providing the lowest cost wood to the mills with minimum inventory. These studies involved many aspects and problems of woodlands management in which we sought the advice and counsel of others. The rates of growth, the influences of mechanization, year-round cutting and hauling, and personnel education and development are some of the practical aspects of our new plan. We wish to express our sincere thanks and appreciation to the New Brunswick Department of Natural Resources for their help and cooperation in developing these plans which will play such an important part of our future.

LUMBER OPERATIONS — On November 20, 1969 the Kedgwick sawmill and chip plant were destroyed by fire. A new modern replacement mill was immediately planned and placed under construction. This accomplishment would not have been possible without the superb cooperation and efforts of everyone concerned.

Approximately thirty-five million board feet of lumber was produced in 1969. For 1970 our lumber production capacity will

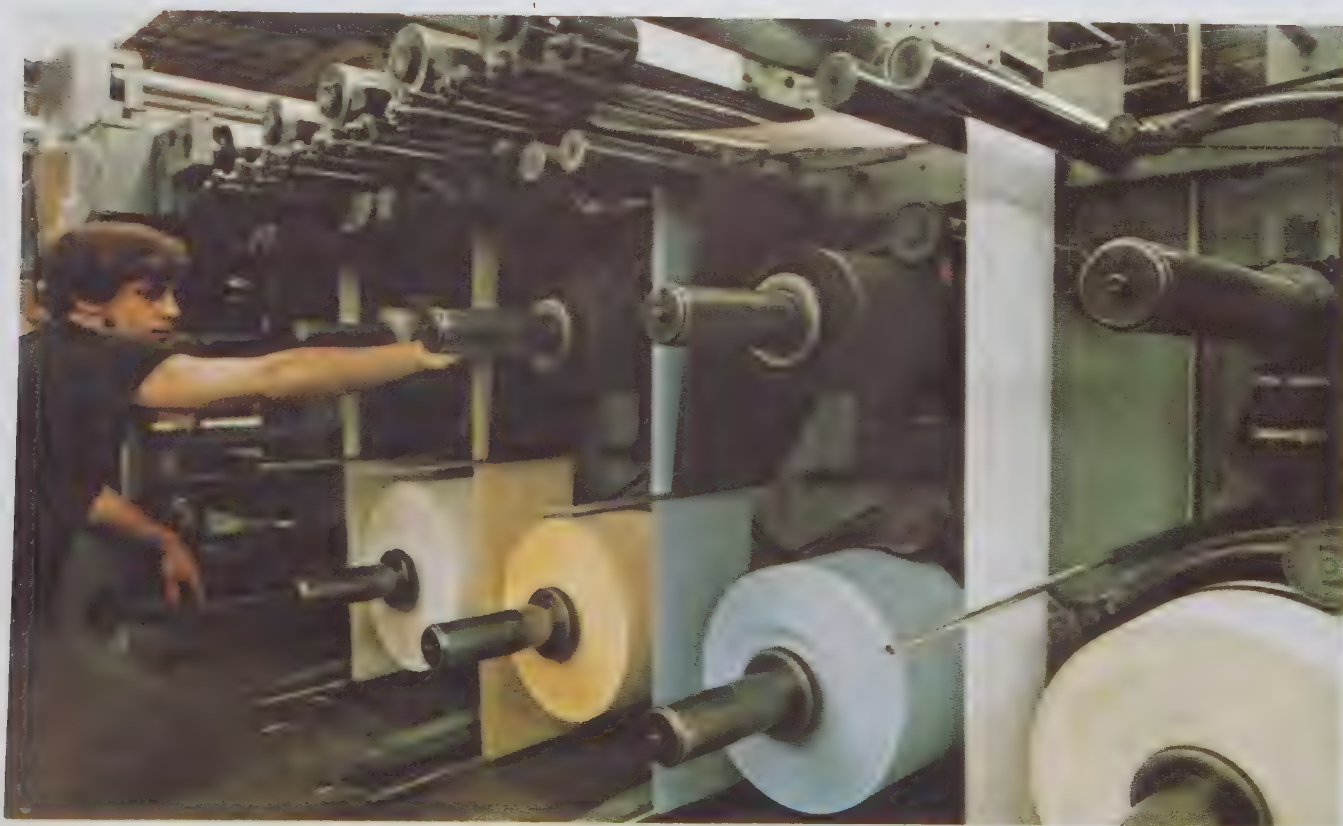
be considerably in excess of 1969 production with the new mill coming on stream in early March 1970.

On December 18, 1969, the first kiln dried lumber emerged from the new kiln constructed at our Plaster Rock sawmill. This kiln is the first of its type to be used on softwood lumber in Canada. Its unique design provides controlled simulation of natural air drying conditions, which results in no degrading of the dried lumber versus the 5 to 10% loss encountered in conventional high temperature kilns. Operation of this modern kiln has been completely satisfactory exceeding performance specifications. Engineering plans have been completed for the construction of a similar kiln and a new planer mill at our Kedgwick sawmill with the start of construction planned for the end of June 1970.

OPERATIONS

MADAWASKA PAPER MILLS — The operation of our paper manufacturing facilities at Madawaska, Maine, reflected our efforts to increase production efficiencies under a strong market demand.

The average daily gross production for the five Bond mill paper machines was a record 466 tons per day. The two paper machines in our Groundwood Catalogue mill produced also a record gross production of 244 tons per day. These production records were established with our two paper mills shutdown



for approximately five days due to a fire in our electrical power distribution system.

Considerable time and effort of our key production personnel — particularly during the latter half of the year — have been spent in conjunction with the engineering staff and their consultants, planning for the extensive modernization program of our paper machines and supporting process systems. During 1970, all seven paper machines will be taken out of operation for periods ranging from three to twelve days to accomplish this program. Increased production efficiencies and reduced costs are the basis and incentives for accomplishing this major undertaking as soon as possible.

Construction of our new paper warehouse facility was completed in 1969. A portion of this facility will be used for storage of components of the new No. 8 Paper Machine, prior to their installation.

EDMUNDSTON BOARD MILL — The board machine at our Edmundston mill operated at a record production rate, in excess of 80 tons per day, throughout 1969. Plans for modernizing this machine have been completed with the equipment ordered for delivery and installation in the first quarter of 1970. Upon completion of the installation of a new pulp cleaning system, with the other equipment changes to be made, a marked improvement in the quality characteristics of our paperboard grades will be realized.

EDMUNDSTON PULP MILLS — The major objective of eliminating river driven wood previously supplied to the Sulphite and Groundwood pulp mills has been accomplished. Presently, wood barking facilities are operating on a year-round basis with all wood deliveries being made by truck or rail. A modern drum barking system, now in the process of installation, will be placed into operation at the end of April 1970.

In mid-May 1970, two Great Northern-Waterous grinder lines in our new automated Groundwood mill will commence operation and the old existing pulp grinding system will be placed on a stand-by basis to be dismantled at a later date. The new grinding system will result in higher production efficiencies, marked labor savings and reduced maintenance costs.





ATHOLVILLE PULP MILL — Record pulp production during 1969 amounted to 94,113 tons as compared to shipments of 96,813 tons. Inventory at the start of 1969 was 2,781 tons which was reduced to 81 tons at the close of the year.

A new chlorination tower for pulp bleaching was placed into operation, which was designed to improve pulp quality and reduce chemical costs. Other capital projects completed in 1969, that were initiated to effect labor and raw material savings, were a new chip handling system, the installation of new baling equipment and the conversion of the steam generation plant from coal to fuel oil.

CENTRAL ENGINEERING — Engineering activity is centered on our growth and modernization programs. The construction of our new wood room and Greenwood mill at Edmundston, and the installation of No. 8 Paper Machine at Madawaska are major objectives for the year 1970.

RESEARCH AND DEVELOPMENT — A reorganization of our Research and Development Department has been accomplished. Activities of this Department are now directed at planning and investigations for the conversion of our Edmundston Sulphite pulp mill, technical evaluations of proposed capital equipment expenditures, operating and process efficiency studies, and the development of new and improved paper grades.

SALES AND MARKETING

PAPER — All time-record sales and shipments were established in the year 1969 with our paper mills operating at present capacities throughout the year.

Bleached fine paper grade shipments totalled 154,766 tons for the year 1969 versus 139,202 tons in the year 1968 — an increase of 11%.

Total paper shipments from our Maine mills of 241,734 tons represent an increase of 13.8% over the previous year, and is a new production record.

With the existence of strong market conditions throughout the year, a major part of our sales activity was directed at the objective of consolidating our positions in those grades which produce the most satisfactory profits, with





good present and future marketability. This program could not have been initiated without the excellent new approach made by our sales and accounting personnel to properly identify and control costs.

Our strong position as a quality source of fine paper grades for the business and communications industry continued to grow in a healthy manner.

This growth has prompted the construction of a new warehouse facility at our Maine mills which will not only significantly improve production efficiencies, but will also allow us to provide the utmost in service to all customers in our major marketing areas.

The relatively new communication paper grades (OCR) — Optical Character Recognition — and (MICR) — Magnetic Ink Character Recognition — have a most promising sales future along with their partner the computer. Sales of these grades can be most significant in the next few years.

Along with the marketing and sales highlights previously mentioned, sales, research and operating personnel have exerted a real team effort in the development of new substrates (specialty base papers) for reprography (reproduction of business copy papers). These highly specialized coated and uncoated papers are developed and designed with a most necessary close relationship with the firms who require these papers, for use in their specific business machine or copy system. These efforts have great promise for long-term profitable relationships in this fast growing, broad field.

The marketing of specialty coated and uncoated fine paper grades was aggressively pursued, with a substantial increase in the sales of grades for specific customer end uses involving the dynamic food packaging industry. A large part of our success in this rapidly growing market is due to the well organized efforts of technical research and operating personnel. These efforts have inspired sales personnel to locate customer needs and problems which should generate new profitable sales.

A milestone for Fraser in 1969 has been its entry as a supplier to the book publishing industry. Again, the team

effort of sales, research and operations has developed several grades for this market. Presently, new equipment installations are being planned that will allow us to manufacture, in a most economical manner, several paper grades with characteristics particularly designed for the printing of educational books. Statistics indicate that the educational explosion now taking place will become an important future market for Fraser.

Demand for our quality groundwood papers continued strong throughout the year 1969 exceeding our production capacity. Significant improved quality aspects — increased brightness and improved printability — have resulted from our decision to replace river wood used for the manufacture of groundwood pulp with wood delivered “green” or “fresh” on a year-round basis by truck or railroad.

Fraser continues to be a recognized leader as a manufacturer of uncoated, lightweight groundwood printing papers. Sales plans are firmly established for the marketing of the increased production which will be produced upon the completion of No. 8 Paper Machine.

Our coated groundwood publication paper grades have now gained excellent acceptance by printers and publishers who use all three of the major printing processes — letterpress, rotogravure and offset. Demand for these grades also exceeded our production capabilities which has enabled us to establish a good basis for marketing the added production capacity when our No. 8 Paper Machine comes into operation.

Our customer technical sales personnel are now a part of the Sales Department — a reorganization designed to improve our capability of analyzing the needs and requirements of our customers. Additions to this staff were made in 1969 with personnel who are technically trained and have a broad experience at our mills in actual operations. This new characteristic of our Sales Department is most important in today’s business cycle to maintain a high degree of confidence and reliability with our customers.

PAPERBOARD — Total sales for 1969, of approximately 28,000 tons of coated and uncoated paperboard

deter oents
mint

cake

Cere
als

Pet
Food

ice cream

Sun

Cigarettes

wraps



manufactured at our Edmundston plant, exceeded all previous records by the substantial margin of 12%.

Although the Canadian market for folding boxboard was not a strong one throughout 1969, we managed to maintain our operations at near capacity. This accomplishment was largely due to our grade specialization program, which was initiated in the year 1968, and our continued efforts to supply quality products to our customers.

The modernization program of our paperboard facility which is now nearing completion, will be of major importance in the 1970 Sales activity, by allowing us greater flexibility in producing the specialized grades required by our customers.

LUMBER — Fraser Companies, Limited lumber sales exceeded thirty-three million board feet for the year — another record.

The fire, which interrupted the production of our W. H. Miller Division in the fourth quarter, did not affect our sales volume for the year, because of the start-up ahead of schedule of the drying kiln at our Plaster Rock Division which enabled us to reduce air drying inventories.

This new kiln, together with the fact that our lumber mills are combination sawmills and chip plants, adds another new quality dimension to Fraser lumber which should allow us to maintain a good market for our lumber in 1970.

PULP — The domestic and export demand for white pulps in 1969 exceeded that forecasted by most experts, bringing increasing prices to the list price level in the fourth quarter.

As a result of marketing conditions and improved operating efficiencies, the sale of sulphite pulps from our Atholville mill reached the record level for any year of operation of 96,813 tons — an increase of approximately 7% over 1968.

Without a serious downturn in the general economy, there is evidence to indicate that the demand for our quality bleached sulphite pulp will continue to increase with prices remaining firm in an upward trend.





FRASER LUMBER

Mills:

Plaster Rock, New Brunswick
W. H. Miller Company, Limited
Kedgwick, New Brunswick
(a wholly-owned subsidiary)

Product:

Eastern Canadian Spruce

End Use:

Residential and commercial buildings

Market:

Eastern Canada and Eastern United States

Sales Office:

Edmundston, New Brunswick

FRASER PULP

Mills:

Atholville and Edmundston
New Brunswick

Products:

Bleached and unbleached softwood
sulphite; and groundwood

Market:

North America and overseas

Sales Office:

Royal Bank of Canada Building
1 Place Ville Marie
Montreal 113, Quebec

FRASER PAPERBOARD

Mill:

Edmundston, New Brunswick

Products:

Coated and uncoated folding boxboard

End Uses:

Packaging for food, detergents,
cigarettes, frozen foods, pharmaceuticals,
pet foods, etc.

Market:

Canada

Sales Offices:

Royal Bank of Canada Building
1 Place Ville Marie
Montreal 113, Quebec

159 Bay Street, Toronto 1, Ontario

FRASER PAPER

Mills:

Fraser Paper, Limited
Madawaska, Maine
(a wholly-owned subsidiary)

Bond Mill:

Five paper machines and one
off-machine blade coater

Catalog Mill:

Two paper machines and one
off-machine blade coater

Products:

Papers for converting specialties,
commercial printing,
coated and uncoated publications

Market:

United States

Sales Offices:

2 Greenwich Plaza
Greenwich, Conn. 06830

111 W. Washington Street
Chicago, Ill. 60602

FRASER PRODUCTS MAKE FOR BETTER LIVING



**Fraser Companies, Limited
and Subsidiaries**

**Consolidated
Financial Statements**

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended	
	January 3 1970	December 28 1968
Net sales	\$91,327,464	\$76,567,800
Cost of sales	74,372,701	64,889,102
Depreciation and depletion	5,798,098	5,854,237
Selling, general and administrative expense	4,936,539	3,715,721
	<u>85,107,338</u>	<u>74,459,060</u>
	6,220,126	2,108,740
Other income:		
Stumpage revenue	148,824	162,933
Interest income	390,242	14,823
Miscellaneous (net)	351,318	(67,862)
	<u>890,384</u>	<u>109,894</u>
	7,110,510	2,218,634
Interest on long-term debt	714,066	735,420
Income before taxes	6,396,444	1,483,214
Provision for taxes on income	1,993,000	322,000
Net income from operations	<u>4,403,444</u>	<u>1,161,214</u>
Extraordinary item:		
Gain on sale of investment in Rothesay Paper Corporation	1,933,002	—
Net results for the year	<u>\$ 6,336,446</u>	<u>\$ 1,161,214</u>
Earnings per common share:		
Net income from operations	\$1.90	\$0.50
Extraordinary item	.83	—
Total	<u>\$2.73</u>	<u>\$0.50</u>

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Balance at beginning of year	\$55,692,934	\$49,954,269
Reserve for possible decline in inventory values and other general purposes	—	4,925,000
	<u>55,692,934</u>	<u>54,879,269</u>
Purchase price of W. H. Miller Company, Limited in excess of book value of net assets	—	117,529
	<u>55,692,934</u>	<u>54,761,740</u>
Net results for the year	6,336,446	1,161,214
	<u>62,029,380</u>	<u>55,922,954</u>
Dividends	1,504,419	230,020
Balance at end of year	<u>\$60,524,961</u>	<u>\$55,692,934</u>



Consolidated Balance Sheets

ASSETS

CURRENT:

Cash
Accounts receivable
Inventories—Note 2
Prepaid insurance

DUE UNDER THE STOCK PURCHASE PLAN—Note 3

INVESTMENTS AT COST:

Rothsay Paper Corporation
Unconsolidated subsidiary company—Note 1

Capital stock \$ 7
Advances 648,701

Other

FIXED:

Plants and properties, freehold and
leasehold timber limits—at cost

Less:

Accumulated depreciation 99,958,359
Accumulated depletion 14,538,968

January 3
1970

December 28
1968

\$ 7,835,878 \$ 222,804

9,005,882 8,924,907

14,914,317 20,494,341

201,158 60,230

31,957,235 29,702,282

1,099,877 856,793

— 2,612,000

648,708 —

164,709 185,098

813,417 2,797,098

178,058,188 168,527,051

114,497,327 109,738,622

63,560,861 53,788,429

\$ 97,431,390 \$ 92,144,602

LIABILITIES

CURRENT:

	January 3 1970	December 28 1968
Bank indebtedness	\$ —	\$ 2,638,000
Accounts payable and accruals	7,723,533	6,260,169
Bonds due within one year (U.S. \$750,000)	809,953	809,953
Taxes on income	237,504	117,761
	<u>8,770,990</u>	<u>9,825,883</u>

FIRST MORTGAGE AND COLLATERAL TRUST BONDS:

5½% Series due 1971/1987 (U.S. \$12,750,000)	13,769,204	14,579,157
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DEFERRED TAXES ON INCOME	8,859,000	6,991,000
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SHAREHOLDERS' EQUITY

Common shares without nominal or par value:

Authorized — 3,000,000 shares

Issued — 2,320,952 shares — Note 3	5,507,235	5,055,628
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Retained earnings	60,524,961	55,692,934
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	<u>66,032,196</u>	<u>60,748,562</u>
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	<u>\$97,431,390</u>	<u>\$92,144,602</u>
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On behalf of the Board:

H. ROY CRABTREE, Director

J. H. HEUER, Director

Consolidated Statements of Source and Application of Funds

AUDITORS' REPORT

The Shareholders,
Fraser Companies, Limited.

We have examined the consolidated balance sheet of Fraser Companies, Limited and subsidiaries as at January 3, 1970 and the consolidated statements of income, retained earnings and source and application of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company and subsidiaries as at January 3, 1970 and the results of their operations and the source and application of funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

Touche Ross & Co.
Chartered Accountants.

Montreal, Que.
February 9, 1970.

	Year Ended	
	January 3 1970	December 28 1968
SOURCE		
Operations		
Net income from operations	\$ 4,403,444	\$ 1,161,214
Depreciation and depletion	5,798,098	5,854,237
Deferred taxes on income	1,868,000	300,000
Cash flow from operations	12,069,542	7,315,451
Investment in Rothesay Paper Corporation		
Cost	\$2,612,000	
Gain on sale	1,933,002	
Other investments decreased (increased)	20,389	(32,369)
Special refundable tax	—	398,266
Sale of common stock	451,607	
Less: Due under the stock purchase plan	243,084	
	208,523	214,352
	<u>\$16,843,456</u>	<u>\$ 7,895,700</u>
APPLICATION		
Net additions and improvements to plants and properties	\$10,570,530	\$ 2,572,877
Bonds redeemable	809,953	809,953
Dividends	1,504,419	230,020
Investment in unconsolidated subsidiary company	648,708	—
Purchase price of W. H. Miller Company, Limited in excess of book value of net assets	—	117,529
	<u>13,533,610</u>	<u>3,730,379</u>
Working Capital increased	3,309,846	4,165,321
	<u>\$16,843,456</u>	<u>\$ 7,895,700</u>

Notes to Consolidated Financial Statements

1. BASIS OF CONSOLIDATION

In consolidating the financial statements of Fraser Paper, Limited, which operated in the United States of America, American dollars are expressed as an equal number of Canadian dollars.

The assets and liabilities of W. H. Miller Company, Limited, which was acquired as at October 31, 1968 have been included in the consolidated balance sheets as at January 3, 1970 and December 28, 1968. The results of its operations have been included in the statements of income for the fiscal year ended January 3, 1970 and in the preceding year from the date of acquisition.

On July 31, 1969 all of the outstanding capital stock of Boiestown Lumber Limited was acquired. As this Company was sold at cost on January 22, 1970 along with the assets described more fully in Note 9, its assets and liabilities and the results of its operations since acquisition have not been consolidated in these financial statements.

2. INVENTORIES

Inventories are valued at cost or net realizable value, whichever is lower and consist of:

	January 3 1970	December 28 1968
Pulpwood and logging advances	\$ 7,879,847	\$13,030,191
Raw materials and supplies	4,542,767	4,464,678
Goods in process and finished products	2,491,703	2,999,472
	<u>\$14,914,317</u>	<u>\$20,494,341</u>

3. STOCK PURCHASE PLAN

Pursuant to the provisions of the stock purchase plan 20,750 common shares of the Company were issued during the year for the account of certain employees for a total consideration of \$451,607 (1968 — 74,100 shares for \$1,071,145). Payment for these shares is to be made by the said employees in annual instalments of not less than 10% of the aggregate purchase price. At January 3, 1970 the Trustee held 74,275 common shares as collateral for the unpaid balance remaining at that date.

4. INSURANCE CLAIMS

Claims for insured losses resulting from the fire at the sawmill of W. H. Miller Company, Limited and a fire involving the electrical distribution system at the Madawaska Mill of Fraser Paper, Limited are in the process of settlement. A portion of such claims amounting to \$469,597 is included in accounts receivable at January 3, 1970.

5. EXPROPRIATION

During 1969 the Province of Quebec expropriated the Company's properties situated in that Province. Negotiations are still continuing with the Quebec Government with respect to the amount of compensation to be received ; as a result the effect of this expropriation has not been reflected in the accounts of the Company for the year 1969.

6. NET GAIN ON REALIZATION OF FIXED ASSETS

For the year ended January 3, 1970 the Company has adopted the policy of including in other income the gains which result from routine and recurring disposal of mobile equipment and other fixed assets no longer required for normal operations. The consolidated statement of income for the year ended December 28, 1968 has been restated on a comparable basis. This change has no material effect.

7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Included in the charges against income is the total remuneration of directors and senior officers of \$386,215 (\$377,161 in the year ended December 28, 1968) of which \$173,300 (\$185,508 in the year ended December 28, 1968) was paid to directors including those who are officers.

8. COMMITMENTS

Commitments for the purchase of machinery, equipment and construction materials for additions and improvements to plants and properties amounted to approximately \$13,889,000 at January 3, 1970.

9. SUBSEQUENT EVENT

On January 22, 1970 the Company sold all of the fixed assets and inventories of the Newcastle Mill and Woods Division as well as its investment in Boiestown Lumber Limited. The total consideration, subject to final determination of inventory values, will be approximately \$41,350,000 of which \$36,685,000 is for fixed assets that had a net book value of \$31,797,000 at January 3, 1970. This transaction has not been reflected in the financial statements as at January 3, 1970.

Ten Year Comparison

FOR THE YEAR	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
QUANTITIES SOLD										
Paper	241,734	212,306	203,243	215,313	202,956	185,928	180,098	177,031	160,370	161,060
Paperboard	27,998	24,053	24,407	24,369	22,298	21,158	20,437	19,451	18,606	22,382
Pulp	211,058	180,463	128,731	120,831	102,276	143,523	121,598	88,407	89,936	56,846
Lumber — M f.b.m.	33,033	20,616	27,435	26,781	30,337	31,343	32,733	29,519	31,089	27,119
(Thousands of Dollars)										
Net sales	\$91,327	\$76,568	\$70,681	\$72,412	\$66,586	\$64,844	\$61,862	\$59,304	\$55,605	\$53,745
Depreciation and depletion	5,798	5,854	5,462	6,555	4,992	4,893	4,887	4,757	3,981	3,670
Taxes on income	1,993	322	—	1,642	3,499	4,003	3,571	3,925	3,311	3,380
Net income from operations	4,403	1,161	127	3,680	5,811	5,238	4,202	4,252	3,430	3,652
Extraordinary items (net)	1,933	—	579	—	—	—	3,000	—	—	—
Net results for the year	6,336	1,161	706	3,680	5,811	5,238	7,202	4,252	3,430	3,652
Additions to plants and properties	10,571	2,573	4,128	19,905	22,017	8,276	5,562	3,802	2,444	7,590
Bonded debt at end of year	14,579	15,389	16,199	16,199	16,549	700	1,050	1,400	1,750	2,100
PER COMMON SHARE										
Net income from operations	1.90	0.50	0.06	1.65	2.61	2.35	1.89	1.91	1.54	1.64
Extraordinary items (net)	0.83	—	0.26	—	—	—	1.34	—	—	—
Net results for the year	2.73	0.50	0.32	1.65	2.61	2.35	3.23	1.91	1.54	1.64
Taxes on income	0.86	0.14	—	0.74	1.57	1.80	1.60	1.76	1.49	1.52
Dividends	0.65	0.10	0.60	1.40	1.40	1.40	1.40	1.40	1.20	1.20

2,320,952 common shares were outstanding at January 3, 1970.

2,300,202 common shares were outstanding at December 28, 1968.

2,226,102 common shares were outstanding from 1960 to 1967 inclusive.

**STOCK TRANSFER AGENT
AND REGISTRAR**

Montreal Trust Company
Montreal, P.Q.
Toronto, Ontario
Vancouver, B.C.
Saint John, N.B.

STOCK LISTED

Montreal Stock Exchange
Toronto Stock Exchange

THE ANNUAL MEETING

of the shareholders of Fraser Companies, Limited will be held at
the general office of the Company at Edmundston, N.B.,
on Thursday, the 23rd day of April, 1970,
at the hour of ten o'clock in the forenoon, Atlantic Standard Time.

*This report, excepting the cover, is printed on Fra-Opaque paper, 80 lb.
Smooth Finish, a product of Fraser Paper, Limited, Madawaska, Maine.*



FRASER COMPANIES, LIMITED • EDMUNDSTON, NEW BRUNSWICK

Fraser Companies, Limited
Edmundston, N.B.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of shareholders of Fraser Companies, Limited will be held at the general office of the Company in Edmundston, New Brunswick, Canada, on Thursday, the 24th day of April, 1969, at the hour of ten o'clock in the forenoon, Atlantic Standard Time, for the purpose of: receiving and considering the annual report of the directors, the financial statements of the Company and the auditors' report for the fiscal year ended December 28, 1968; the election of a board of directors for the ensuing year; the appointment of auditors; considering and, if deemed fit, approving Special By-law GG of the General By-laws of the Company the purpose of which is to provide for the financial year of the Company to end on the Saturday closest to the 31st day of December in each year; and the transaction of such other business that may properly come before the meeting.

If you are unable to attend in person, will you please date, complete, sign and return the enclosed instrument of proxy in the envelope provided for that purpose.

By order of the Board of Directors,

B. W. HICKS,
Secretary.

March 24, 1969.

INFORMATION CIRCULAR

(dated as of March 21, 1969)

This Information Circular is furnished in connection with the solicitation of proxies for use at the Annual Meeting of shareholders of Fraser Companies, Limited (hereinafter called "the Company") to be held at the general office of the Company, Edmundston, New Brunswick, Canada, on Thursday, April 24, 1969, and at any adjournment thereof. In the event that you are unable to attend the meeting personally, you are requested to date, complete and sign the accompanying instrument of proxy and to return the same to the Company in time for use at the meeting. An addressed envelope with postage prepaid accompanies this Information Circular and may be used for such purpose.

Right of Revocation

A shareholder giving the instrument of proxy may withdraw the same by notice in writing to the Company at any time for all subsequent purposes for which the instrument of proxy shall have been given.

Solicitation of Proxies

The enclosed instrument of proxy is solicited by the management of the Company. The management does not contemplate a solicitation of proxies otherwise than by use of the mails. The cost of solicitation will be borne by the Company.

Voting Shares and Principal Holders Thereof

There are outstanding 2,305,202 Common Shares without nominal or par value (hereinafter called "Common Shares") of the capital stock of the Company. Each Common Share entitles the holder thereof to one (1) vote per share.

The holders of Common Shares will be entitled to vote at the meeting and at any adjournment thereof if present or represented by proxy thereat.

Wabasso Limited and Sogemines Investment Limited are each holders of equity shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company. Wabasso Limited holds 234,104 Common Shares and Sogemines Investment Limited holds 302,305 Common Shares, representing 10.2% and 13.1% respectively of the outstanding Common Shares.

Approval of Special By-Law GG

The purpose of Special By-law GG is to provide for the financial year of the Company to end on the Saturday closest to the 31st day of December in each year. Special By-law GG was enacted by the Board of Directors of the Company on the 29th day of November, 1968, and is to be submitted to the Annual Meeting for confirmation by the shareholders.

Election of Directors

The General By-laws of the Company provide that the Board of Directors shall consist of fifteen directors to be elected annually. The term of office of each director so elected expires upon the election of his successor unless he shall resign or his office becomes vacant by death, removal or other cause.

The following persons are proposed to be nominated for election as directors of the Company:

<u>Nominees for Directors and Principal Occupation</u>	<u>Period of Service as Director</u>	<u>Approximate Number of Equity Shares of the Company Beneficially Owned, Directly and Indirectly</u>
E. R. Alexander, Vice-Chairman of the Board of Quebec Natural Gas Corporation (Natural Gas Company).	1960 to date	1,000 Common Shares
F. Philippe Brais, Q.C., Senior Partner of Brais, Campbell, Pepper, Durand, Riopel & Laffoley (Advocates, Barristers and Solicitors).	1946 to date	1,070 Common Shares
Ralph B. Brenan, Vice-President of the Company, Member of the Executive Committee of the Board of the Company; President and Managing Director of G. E. Barbour Co. Ltd. (Manufacturer and Distributor of Food Products).	1954 to date	8,352 Common Shares
Kenneth V. Cox, ⁽¹⁾ President of New Brunswick Telephone Co. Ltd. (Public Utility).	—	100 Common Shares
H. Roy Crabtree, ⁽²⁾ Chairman of the Board of the Company, Chairman of the Executive Committee of the Board of the Company, Trustee of the Stock Purchase Plan of the Company; Chairman and President of Wabasso Limited (Manufacturer of Textiles).	1956 to date	81,625 Common Shares
F. Ryland Daniels, Chairman of the Board of Dominion Textile Company Limited (Manufacturer of Textiles).	1963 to date	10 Common Shares
John E. L. Duquet, Q.C., Senior Partner of Duquet, MacKay, Weldon, Bronstetter, Willis & Johnston (Advocates, Barristers and Solicitors).	1963 to date	100 Common Shares
A. A. Franck, Member of the Executive Committee of the Board of the Company; President of GenStar Limited (Multi-Product Company, Manufacturers of Cement, Chemicals, Fertilizers; Construction, Building Materials, Towing and Barging, Import and Export of Industrial Products in Canada and in the United States, Investment in Paper Industry and Real Estate).	1966 to date	1 Common Share
J. H. Heuer, ⁽³⁾ President and Chief Executive Officer of the Company, Member of the Executive Committee of the Board of the Company.	1968 to date	50,006 Common Shares
Roy A. Jodrey, President of Minas Basin Pulp & Power Company Limited (Manufacturer of Pulp, Paperboard and Power).	1956 to date	24,575 Common Shares
D. E. Kerlin, President of Kerlin Associates Ltd. (Consultants).	1963 to date	25 Common Shares
John A. Mulcahy, ⁽⁴⁾ President of Quigley Company Inc. (Manufacturer of Refractories; Holder of Patented Processes for the Maintenance of Basic Oxygen Furnaces, Open-Hearth Furnaces and Electric Furnaces).	—	500 Common Shares
A. L. Penhale, Member of the Executive Committee of the Board of the Company, Trustee of the Stock Purchase Plan of the Company; Chairman of Asbestos Corporation Limited (Asbestos Fibres).	1960 to date	100 Common Shares
Frank H. Sobey, Member of the Executive Committee of the Board of the Company; Chairman of Sobey Stores Limited (Retailer of Food Products).	1963 to date	117,109 Common Shares
Edward C. Wood, Member of the Executive Committee of the Board of the Company, Trustee of the Stock Purchase Plan of the Company; Chairman of the Board of GenStar Limited (Multi-Product Company, Manufacturers of Cement, Chemicals, Fertilizers; Construction, Building Materials, Towing and Barging, Import and Export of Industrial Products in Canada and the United States, Investment in Paper Industry and Real Estate); President of Edwood Ltd. (General Consultants).	1967 to date	2,000 Common Shares

(1) Mr. Cox has been President or a Senior Officer, for a period in excess of the five preceding years, of New Brunswick Telephone Co. Ltd.

(2) Mr. Crabtree owns directly 400 Common Shares. Treeford Limited (which is controlled by Mr. Crabtree) owns 81,225 Common Shares. In addition, Mr. Crabtree's "associates", as that term is defined in The Securities Act, 1966, of Ontario, own 329,679 Common Shares, of which Wabasso Limited and The Harold Crabtree Foundation own 234,104 Common Shares and 95,575 Common Shares respectively.

(3) Mr. Heuer was elected President and Chief Executive Officer of the Company in April 1968. Prior to April 1968, Mr. Heuer was Vice-President — Operations, for a period in excess of the five preceding years, of Great Northern Paper Company, Maine (Manufacturer of Paper).

(4) Mr. Mulcahy has been President or a Senior Officer, for a period in excess of the five preceding years, of Quigley Company Inc., New York.

Remuneration of Directors and Senior Officers

The following information is given for the last completed financial year of the Company ended December 28, 1968, with respect to the directors and senior officers of the Company as a group.

Aggregate direct remuneration paid by the Company and its Subsidiaries \$353,620.00

Approximate aggregate cost to the Company and its Subsidiaries of normal pension benefits \$ 19,881.00

Aggregate amount of remuneration payments, other than direct remuneration, proposed to be made in the future by the Company and its Subsidiaries pursuant to an existing arrangement. \$ 23,541.59

No director, senior officer, proposed nominee for election as a director or associate of any of the foregoing is or has been indebted to the Company or its Subsidiaries at any time since the beginning of the last completed financial year of the Company. Under the Stock Purchase Plan of Fraser Companies, Limited dated as of July 2nd, 1968, the Company provided moneys to trustees with which to purchase Common Shares of the Company for resale to certain employees of the Company upon the exercise of their rights. The aggregate amount owing by such employees to the trustees as at the date of this Information Circular, was \$1,049,588 of which approximately \$874,792 was owing by employees who were directors and/or senior officers of the Company. Such amounts are payable to the trustees in instalments over the next several years.

The following information as to rights to purchase Common Shares of the Company is given for the period since the commencement of the last completed financial year of the Company, namely, January 1, 1968, with respect to the directors and senior officers of the Company as a group.

Date of Exercise (1)	Number of Common Shares	Price per Share	Price Range (2)	
			High	Low
Sept. 3, 1968	50,000	\$14.94	16½	15¼
Sept. 3, 1968	24,100	\$13.45	16½	15¼
Mar. 14, 1969	5,000	\$19.04	21⅞	20

(1) The rights to purchase were exercised pursuant to the Company's Stock Purchase Plan dated as of July 2nd, 1968.

(2) Price range of Common Shares on the Montreal Stock Exchange for the thirty days preceding the exercise of rights.

Appointment of Auditors

Messrs. Touche, Ross, Bailey & Smart are the auditors of the Company and have held such position for a period in excess of the preceding five years. It is proposed by the management of the Company that such firm be reappointed the auditors of the Company at the Annual Meeting.

Designation of Proxy

The persons named in the enclosed instrument of proxy have indicated to the Company their willingness to represent as proxy shareholders desiring to so appoint them. **If, however, a shareholder desires to appoint as proxy a person other than those designated, he should strike out the names of the persons designated in the instrument of proxy and insert the name of his representative in the space provided therefor.** A person acting as proxy need not be a shareholder of the Company.

Voting of Shares Represented by Management Proxy

The accompanying instrument of proxy confers discretionary voting authority upon the management nominees designated therein. The management of the Company knows of no business other than that to which reference is made in the Notice of the Annual Meeting to come before the meeting. If, however, any other business properly comes before the meeting, it is the intention of the management nominees designated therein to vote the shares represented by such proxy in accordance with their best judgment.

By order of the Board of Directors,
B. W. HICKS,
Secretary.